

MINUTES OF THE CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

November 17, 1998

The Capital Projects and Bond Oversight Committee met on Tuesday, November 17, 1998, at 1:00 p.m., in Room 129 of the Capitol Annex. Representative Robert Damron, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Robert Damron, Chairman; Senator Robert Leeper, Vice Chairman; and Senator Denny Nunnolley; Representatives Drew Graham, Paul Marcotte, and Jim Wayne.

Guests: Alan Holt, Governor's Office for Policy and Management; Commissioner Armond Russ and Jim Abbott, Department for Facilities Management; Tom Howard and Kim Link, Office of Financial Management and Economic Analysis; David Bratcher, Gene Fuqua, and Lori Flanery, Cabinet for Economic Development; Mike Mullins and Cheryl Roberts, Department for Juvenile Justice; Bill Burnette, Eddie Duvall, Mark Farrow, and Mike Stivers, Kentucky Department of Agriculture; Libby Jones, Purchase of Agricultural Conservation Easements (PACE) Board; Barbara Burns, Cabinet for Health Services; Melanie Bailey, Natural Resources and Environmental Protection Cabinet; Ken Clevidence and George DeBin, University of Kentucky; Dr. Robert Tarvin, School Facilities Construction Commission; Sherron Jackson and Ken Walker, Council on Postsecondary Education; John Peterson, Western Kentucky University; Gary Sewell; R.M. Burnett, Jefferson County Board of Education; Nancy Osborne and Mary Yeager, LRC.

LRC Staff: Mary Lynn Collins, Pat Ingram, Jack Affeldt, Lou Pierce, and Shawn Bowen.

Press: Angie Muhs, Lexington Herald-Leader.

Representative Marcotte made a motion to approve the minutes of the October 20, 1998 meeting as submitted. The motion was seconded by Representative Wayne and passed by voice vote.

Chairman Damron reviewed correspondence items in members' folders which included the Kentucky Lottery Corporation's monthly financial status report for September 1998 and the Third Annual Report of the Heritage Land Conservation Board.

Chairman Damron said in November 1997, the Committee requested from the Economic Development Cabinet a status report on companies assisted by Economic Development Bond (EDB) Pool funds. Noting the report was recently submitted, Chairman Damron introduced Mr. Gene Fuqua, Executive Administrator for the Office of the Secretary, Cabinet for Economic Development, to discuss the report and answer questions.

Mr. Fuqua introduced two employees from the Cabinet for Economic Development: Ms. Lori Flanery, Commissioner, Department of Financial Incentives, and Mr. David Bratcher, Director of Grants Programs. Mr. Fuqua said the report covered EDB projects funded since 1990. He briefly explained the report which provided the status of job commitments companies have made in exchange for EDB assistance.

Representative Wayne noted that the report identified at least three companies that have been in default for several years and in late September were sent "final default" letters. He asked if default letters were sent to these companies prior to the September notices. Mr. Fuqua responded that each project is different, and when a company has not created the number of jobs promised, there is a lot of verbal communication and negotiation between the company and the Cabinet. Sometimes the Cabinet will grant a company a six-month extension to create the promised jobs, but if it becomes evident the company cannot or will not be able to create the jobs, the Cabinet sends a final default letter to the company, requesting repayment of the EDB Pool funds. If that does not work, the Cabinet has the option to file suit against the company.

In response to another question from Representative Wayne, Mr. Fuqua said the Cabinet has a separate monitoring division for financial incentives. Ms. Flanery added that each of the 12 incentive programs administered by the Cabinet is monitored, but the degree of monitoring varies. The Cabinet is very proactive in getting its money back for grants and loans when job commitments are not met; the Cabinet does some monitoring of its tax incentives, but these are, to a large extent, self-policing since if companies do not hire additional workers, they cannot take wage assessments.

Representative Wayne noted that 84% of the EDB Pool projects are in compliance and commended the Cabinet for its efforts. Mr. Fuqua pointed out that since some companies created more jobs than promised, the total jobs created under the program were approximately 8,000 more than the commitments made.

Representative Wayne said the Committee needs regular reports on these projects. Mr. Fuqua apologized for the lateness of the current report, and said the Cabinet would be glad to submit an annual report to the Committee.

Chairman Damron asked about the status of the Vencor project. In December 1997, the city of Louisville was given an EDB grant of \$3,000,000 to assist with land acquisition costs for Vencor's new downtown headquarters. In return for the assistance, Vencor agreed to create 635 full-time jobs by December 31, 2000, and to invest \$35 million in new headquarters on the Louisville Waterfront.

Chairman Damron said he understood Vencor no longer plans to build the headquarters and asked what action the Kentucky Economic Development Finance Authority will take. Mr. Fuqua said they are currently in negotiation with Vencor and hope to bring things to a resolution by the first quarter of next year. If Vencor decides not to make an investment in Jefferson County, they will have to return the money. In response to another question from Chairman Damron, he said he was not sure if Vencor will have to pay interest on the money, but he would find out and let the Committee know.

Representative Marcotte asked about the situation with International Paper Company in Bowling Green. Ms. Flanery said this project was turned over to the Cabinet's attorneys because staff could not get any response from the company. She said two hours before today's meeting the company called and asked where they could wire the \$87,000 in EDB Pool funds they owe the state. Chairman Damron commented on the timing and said sometimes it is helpful to have such issues taken up by legislative committees.

Representative Wayne made a motion that the Economic Development Cabinet be directed to submit an annual report on the status of EDB Pool projects with job creation/payback requirements. The motion was seconded by Representative Marcotte and passed by voice vote.

Next, Mr. David Bratcher presented a new EDB project in the amount of \$1,700,000 for Ford Motor Company in Louisville, Kentucky. He said a grant will be given to Jefferson County to purchase equipment and lease it to Ford for \$1 per year. He said in 1997, the Cabinet began discussions with Ford about production decisions the company was considering at its Chamberlain Lane Plant in Jefferson County. In those discussions, Ford officials indicated they had made a decision to sell their heavy truck line to Freightliner, which would have meant layoffs at the Chamberlain Lane plant. They also indicated, however, they were considering expansion of their F-Series commercial trucks. To encourage the expansion, the Cabinet proposed a package of incentives including EDB assistance. As a condition of EDB assistance, Ford agreed to create 925 new jobs at the Chamberlain Lane plant. Mr. Bratcher said the Economic Development Cabinet will monitor for wages as well as job commitments. The average wage for the Ford project will be \$51,000 per year.

Representative Wayne made a motion to approve the EDB grant for Ford Motor Company, contingent upon the Cabinet forwarding to the Committee a copy of the financial agreement between the Cabinet, Jefferson County Government, and Ford Motor Company, pursuant to KRS 154.12. The motion was seconded by Representative Graham and passed by voice vote.

Next, Mr. George DeBin, Vice President for Fiscal Affairs, presented three projects for the University of Kentucky (UK). The first project Mr. DeBin discussed was the Commonwealth Stadium Expansion project. This project was approved by the 1998 General Assembly for \$24,000,000. Mr. DeBin said the initial bids came in higher than expected, and the University is requesting a \$3,600,000 (15%) scope increase to award final bid packages and proceed with the project. The scope increase will be covered with Athletic Association funds.

Representative Graham made a motion to approve the scope increase for the Commonwealth Stadium Expansion project. The motion was seconded and passed by voice vote. The revised project scope is \$27,600,000.

Next, Mr. DeBin discussed a Fraternity House Replacement project for Sigma Alpha Epsilon (SAE). This project was approved by the 1996 General Assembly for \$3,000,000 (agency funds). Subsequently, the Committee approved two scope increases (\$3,100,000) for a revised scope of \$6,100,000 (\$5,850,000 private funds and \$250,000 agency funds). Mr. DeBin said the University is now requesting an additional scope increase of \$1,400,000, to be funded with \$175,000 in agency funds and \$1,225,000 in private funds. The scope increase will be used to cover numerous change orders and to fund nearby campus improvements.

Mr. DeBin said when the project is complete, it will become part of the inventory of the University's housing and dining system – unlike the other 11 Greek houses on campus. He explained that each student will have an individual housing contract, such that the 48 residents will be paying \$101,000 annually to the campus housing and dining operations.

Chairman Damron noted the quality of materials being used and asked how operational and maintenance costs will be covered for this facility. Mr. DeBin said the maintenance costs will be somewhat higher at times, but by putting in higher quality equipment and furnishings, they will not wear out as quickly. He said a separate use agreement will be in place with the fraternity house corporation, which will allow the fraternity to use the facility's common areas for fraternity activities for a fee. The fraternity will pay any incremental costs for maintenance and the full salary and benefits of the UK employee residing in the fraternity house. Mr. DeBin said the fraternity house corporation will also pay a renewal and replenishment charge.

Chairman Damron asked if students in non-Greek dorms will be subsidizing the maintenance and operating costs relating to the SAE house. Mr. DeBin said it was just the reverse since the fraternity house will be a debt-free asset, bringing in annual revenues of over \$101,000. He said he saw no downside to the University at all.

Representative Wayne said this project has come before the Committee twice before, and up to this point, the Committee has been open-minded and trusting in UK's judgment. He asked what UK's philosophy was in constructing a facility as elaborate as this on its campus. Mr. DeBin said this project is part of the University's six-year plan to locate the Greek community in one area of the campus. He said UK is pleased that the donors, SAE alumni, have taken a very intensely personal interest in this facility and are contributing 96% of the cost. He said the donors want to enrich the quality of life on campus.

Representative Wayne asked how a fraternity house that costs \$145,000 per room to build enriches the cultural life of the campus or the state. He asked what social values were considered when the University decided to accept private money to build this facility. Mr. DeBin responded UK is proud to have this building on its campus.

Representative Wayne said Kentucky is a poor state and attempts to pool its resources to give everyone an equal opportunity. He said by continuing to expand the scope of this fraternity house, UK is participating in an elitist process.

Mr. DeBin responded that the building is a magnificent structure, and he did not look at it as being elitist, but a statement of quality and long-standing community support.

Representative Wayne said as a policy maker representing a working class district, he has serious problems with this project. He said he did not object to a Greek community on the campus, as long as it does not get out of hand. He said, in this case, the University is sending the wrong message to students and to society.

Representative Graham asked who owns the other fraternity housing on campus. Mr. DeBin said in the case of the other 10 houses built in the late 1950s and early 1960s, the individual fraternity housing corporations have leasehold interests. He said the housing is on University land and the facilities are owned by the University, but because the fraternities paid down some of the actual bond costs, they have a leasehold interest. He estimated that the University invested approximately \$70,000-\$80,000 for construction of the older fraternity housing. The University recently received an estimate of \$750,000 to retrofit one of those houses.

Representative Graham said the SAE House is being paid for by alumni, and it appeared to him the University is saving taxpayers money by utilizing donors. He made the motion to approve the UK Fraternity House Replacement project cost overrun. The motion was seconded by Senator Leeper.

Representative Marcotte said when the Committee considered the second scope increase, he voted for it with some reservations. But now, with over 60 change orders, he said he wondered who was in charge of the project. He noted the escalating cost of the facility, and said he had serious reservations about voting for this project.

The motion to approve the cost overrun passed by voice vote. Representative Marcotte and Representative Wayne asked that the record indicate they voted “no” on the motion. The revised project scope is \$7,500,000.

The last project Mr. DeBin discussed was the Donovan Hall Life Safety Improvement project. The project was authorized by the 1996 General Assembly for \$427,000 (University Restricted Bond Pool Fund). Mr. DeBin said the University is requesting approval to increase the scope of the project by \$10,000 (2.34%) to meet the low bid on the project. The additional funding will come from housing and dining agency funds.

Senator Leeper made a motion to approve the scope increase for the Donovan Hall Life Safety Improvement project. The motion was seconded by Representative Wayne and passed by voice vote. The revised project scope is \$437,000.

The next item on the agenda was a report on equipment purchases associated with a postsecondary education program of distinction. Mr. John Peterson, Western Kentucky University (WKU), reported that WKU has purchased two new items of equipment associated with its new program of distinction, Applied Research and Technology: a LECO Pegasus GC/TOF-MS System (\$120,000) which will replace the mass spectrometer authorized in the 1998-2000 Executive Budget, and a Rigaku RIX XRF Spectrometer (\$156,000).

(The 1998-2000 Executive Budget Bill specifically exempted items of equipment associated with approved programs of distinction from the requirement that all items of equipment over \$100,000 are to be included in an enacted budget. However, such purchases are to be reported to the Committee.)

In response to a question from Chairman Damron, Mr. Peterson said these items have been reported to the Council on Postsecondary Education. Chairman Damron said this item does not require Committee approval, but suggested the Committee may want to take action.

Representative Wayne made the motion to approve the equipment purchases by WKU. The motion was seconded by Representative Marcotte and passed by voice vote. (Although not mentioned by Mr. Peterson, WKU indicated in correspondence to the Committee, purchase of a JOEL transmission electron microscope for \$165,000 as well.)

Next, Mr. Jim Abbott, Director, Division of Real Properties, reported four new state lease contracts with annual costs in excess of \$100,000. The first lease Mr. Abbott discussed was PR-4341, a new lease for the Kentucky Community and Technical College System (KCTCS) at the Spindletop Conference Center in Fayette County. The lessor is the Council of State Governments and the annual cost is \$145,155.30 for 22,563 square feet.

Chairman Damron asked if all KCTCS staff will be located there eventually. Mr. Abbott responded that in mid-March there will be additional KCTCS staff locating in two other locations in the Spindletop Office Complex. Once these moves are complete, all KCTCS staff will be located at the Complex, including employees now located on UK's campus.

Representative Wayne made a motion to approve the lease for KCTCS. The motion was seconded by Representative Marcotte and passed by voice vote.

Next, Mr. Abbott reported on PR-4366, a new lease for the Department of Mines and Minerals in Franklin County. Mines and Minerals is being relocated from the Spindletop Office Complex in Fayette County to make room for KCTCS. The lessor is Capital Center East and the annual cost is \$114,526.32 for 14,497 square feet.

Representative Graham made a motion to approve the lease for the Department of Mines and Minerals. The motion was seconded by Senator Nunnolley and passed by voice vote.

Mr. Abbott then reported on PR-4269, a new lease for the Department of Financial Institutions in Franklin County. The lessor is Capital Center East and the annual cost is \$158,000 for 20,000 square feet.

Chairman Damron noted the low bid for this lease was for a downtown location, but the division chose the second lowest bid, Capital Center East because of a longer lease term included in that bid. He asked how much consideration was given to the downtown location, based on the Governor's Renaissance Kentucky Program, which encourages state offices to be in downtown locations.

Mr. Abbott responded that consideration was given to the fact that the Department of Mines and Minerals and the Department of Financial Institutions, both part of the same Cabinet, would be located in the same building. He said according to Kentucky statutes, agencies in the same Cabinet should be consolidated within the same facility when possible. He said the downtown location may be utilized for other leased projects in the future.

Chairman Damron asked why the rental rates on these projects are lower than those reviewed by the Committee in July. Mr. Abbott said these three projects were bid at the same time, and by putting three projects on the market at the same time, it drove the offerings made by the prospective lessors down. He said the cost per square foot of the lease renewals reviewed by the Committee in June ranged between \$8.35-\$8.50 per square foot, while the highest bid on these projects was \$7.90. Noting that the reason for the lower rates was competition, Chairman Damron asked if the Cabinet had considered amending the process so participants never know if there is a lack of competition. (Under the current two-part procurement process, initial responses are made public prior to submittal of final bids.)

Mr. Abbott said it would be difficult, and he noted sometimes there is no competition when renewing leases, especially the larger leases. He indicated the change made in the 1998 Regular Session (HB 704), which allows the Cabinet to consider leasing proposed new construction, as well as existing space for leasing, will increase competition. However, he also noted that since that measure became effective, his office has received offers for new construction in every county where space was sought except Franklin County. He suggested current plans for the state to build additional facilities in Frankfort may account for the lack of interest by the private sector in building additional office space.

Representative Graham made a motion to approve the new lease for the Department of Financial Institutions. The motion was seconded by Senator Leeper and passed by voice vote.

The last project Mr. Abbott discussed was PR-3388, a lease of 5,000 square feet of additional warehouse space for the Department for Libraries and Archives in Franklin County. The lessor is Jeffrey and Diane Goldring and the annual cost will rise from \$87,727.50 to \$105,227.50.

Representative Marcotte made a motion to approve the amended lease for the Department for Libraries and Archives. The motion was seconded by Representative Wayne and passed by voice vote.

Mr. Abbott next discussed three lease modification reports. The first two lease modifications were for PR-3231 and PR-3404, Natural Resources and Environmental Protection Cabinet (NREPC), Fort Boone Complex, Franklin County. The Fort Boone Complex consists of two buildings, a partnership between two lessors, the Omega Company (PR-3231) and Dr. E. Calvert Kelsey (PR-3404). Mr. Abbott said the action being taken in each case is to amortize \$3,350 over the remaining term of each lease. NREPC remodeled its offices, and it was necessary to remove, relocate, and reconnect power poles.

The remaining lease modification was for PR-3386, the Revenue Cabinet in Franklin County. Mr. Abbott said the lessor is Perimeter Properties, and the action being taken is to amortize \$5,480 over the remaining term of the lease (June 30, 2003). The Revenue Cabinet installed 15 additional dedicated circuits to accommodate new mail opening equipment.

Chairman Damron indicated no action was required for the three amortizations since they were under \$50,000.

The final item presented by Mr. Abbott was state leases with square footage modifications: PR-3102 – Whitley County, Workforce Development Cabinet, an increase of 431 sq. ft., for a total of 2,931, to provide space to accommodate the agency's Work Quest Lab Program; PR-3836 – Perry County, Department of Public Advocacy, an increase of 391 sq. ft., for a total of 2,396, to provide additional space for program expansion and two new staff; PR-4111 – Franklin County, Alcoholic Beverage Control, an increase of 675 sq. ft., for a total of 9,708, to provide space for four new staff; PR-4175 – Ohio County, Cabinet for Families and Children, an increase of 235 sq. ft., for a total of 12,700; PR-4181 – Franklin County, Labor Cabinet, an increase of 1,462 sq. ft., for a total of 13,145, to provide space for 14 new staff in the Occupational Safety and Health Administration Program; PR-4216 – Henderson County, Department of Public Advocacy, an increase of 564 sq. ft., for a total of 2,075, to accommodate three additional staff and alleviate overcrowded conditions; and PR-4232 – Franklin County, Justice Cabinet, an increase of 2,903 sq. ft., for a total of 16,773, to provide space for 13 additional staff.

Chairman Damron said lease modifications of less than \$50,000 must be reported to the Committee within 30 days, but do not require Committee action.

Chairman Damron said Mr. Bill Hintze, who usually presents projects submitted by the Finance and Administration Cabinet, could not attend the meeting today because of a previous engagement. He then introduced Commissioner Armond Russ, Department for Facilities Management, to discuss four projects submitted by the Cabinet.

The first project Commissioner Russ discussed was a 40-bed boot camp next to the Breathitt County Juvenile Detention Center. This project was authorized by the 1998 General Assembly for \$690,000 (\$69,000 General Funds and \$621,000 Federal Funds). Commissioner Russ said the department is requesting a federally funded scope increase of \$435,600 (63%) to accommodate changes in design and locations. He then introduced Deputy Commissioner Cheryl Roberts, Department of Juvenile Justice, to discuss the project in greater detail.

Deputy Commissioner Roberts said the project's scope is being increased for several reasons: the site had to be relocated to make way for an expansion project at the detention center; the cost was underestimated by \$14 per square foot; and additional unanticipated educational and program space needs have been identified.

Chairman Damron asked what the anticipated completion date is for the 32-bed expansion at the detention center. Commissioner Roberts said the estimated completion date for that project is 1 ½-2 years away. In response to a question from Representative Wayne, Deputy Commissioner Roberts said the boot camp will use the same sewer system used by the detention center.

Representative Marcotte made a motion to approve the federally-funded scope increase for the 40-bed boot camp. The motion was seconded by Representative Wayne and passed by voice vote. The revised project scope is \$1,125,600.

Commissioner Russ next discussed a project report for the Purchase of Agricultural Conservation Easements (PACE) Program, administered by the Department of Agriculture. Commissioner Russ said the Finance Cabinet has approved the transfer of \$400,000 available this fiscal year from the Department of Agriculture's operating budget to PACE's capital project account.

Mr. Mark Farrow, Chief Executive Officer and General Counsel, Department of Agriculture, said the PACE Program closed on its first four easement acquisitions on November 13: Jonathan and Jana Scott, 192-acre dairy farm in Shelby County, \$148,425; Vincent and Linda Connor, 215-acre dairy farm in Shelby County, \$193,330; David and Susan Neville, 183-acre beef, cattle, and tobacco farm in Shelby County, \$145,984; and J. Rodman and Hiler Redd, 155-acre grain and vegetable farm in Trigg County, \$119,869.

Representative Wayne noted that the General Assembly did not fully fund the PACE Program. He asked if more federal money would have been available if the state had provided the matching money. Mr. Farrow said the state applied for more federal money than it received.

In response to a question from Senator Leeper, Mr. Farrow said the properties of PACE applicants are evaluated using a point system. He added that development pressure is one of the categories the PACE Board considers when assigning points to a property, but there are approximately 10 other categories.

Senator Leeper asked where the J. Rodman and Hiler Redd farm is located. Mr. Burnette, Executive Director, Office of Environmental Outreach, Department of Agriculture, said the farm is located on the Trigg/Christian County line. He said the Board focuses on land that has the potential for development 20-30 years from now; they cannot afford to buy land that is currently being threatened by development because it is too expensive. Mr. Burnette said the most important criteria in the selection of property for participation in the program are the type of land and the type of soil. Mr. Farrow added that the Trigg County farm is under no immediate threat of development.

Chairman Damron asked how the farms are selected for the PACE Program. Mr. Farrow responded that farms are selected through an application process. He said most applicants list on their application the amount of funds they are seeking for their easements. Points are assigned to the applications, based on established program criteria, and the final decision is made by the PACE Board.

In response to questions from Chairman Damron, Mr. Farrow said the Department of Agriculture has approximately 40 applications pending, and the acquisition cost of easements associated with those 40 applications is \$12 million.

Chairman Damron asked how much money has been spent to date on the PACE Program and how much the state will be receiving from the federal government. Mr. Farrow said about \$700,000 has been spent, and an additional \$700,000 will be available from the federal government to match the \$800,000 in state funds appropriated by the 1998 General Assembly.

Chairman Damron asked if the department has a marketing/education project to inform potential applicants about the PACE Program. Mr. Farrow said staff has made several visits to local and state farm bureaus and has been working with the Progressive Farmer Newsletter.

Chairman Damron noted that concerns have been raised about the costs for appraisals and surveys since they cannot be covered with federal funds or the funds the state uses to match the federal funds. He asked if PACE has considered requiring participants to pay appraisal and survey costs. Mr. Farrow said he was not sure enabling legislation would permit that, but he would check. Mr. Abbott, who indicated his office is responsible for negotiations relating to the easements, responded that the appraisal cost

could be passed on to the property owners, as part of the contractual arrangement, as long as state-approved appraisers were used.

Representative Wayne commended the PACE staff for the work they are doing. He said the foundation for this program is set, even though the program is in its infancy stage.

Senator Leeper asked why the Trigg County property owners were paid 50% of the property's appraised value, while other property owners were paid more. Mr. Farrow said this was part of the negotiation process between the state and the landowners. Mr. Abbott added that the actions taken by PACE are unlike those taken by the Transportation Cabinet when buying right of ways. He said the Transportation Cabinet, when purchasing right of ways with federal funds, is required to offer whatever the appraised value of the property is. He said the PACE Program is not required to offer the seller the appraised value of the property, and therefore negotiates with property owners for the most favorable price.

Senator Leeper said he thought this program has the potential for abuse, and it sounded odd that one landowner would be paid 50% of the appraised value of his property, while another property owner would be paid 100% of the appraised value.

Chairman Damron said he understood additional points are assigned to applicants who during the application process indicate a willingness to take less than the full appraised value for the easement. Mr. Burnette said the points allocated for that particular factor were not significant.

Chairman Damron said PACE's money would go a lot further if more consideration was given to those willing to take less than the appraised value of the easement. Mr. Burnette responded that price certainly does enter into the Board's decision; they have established a maximum purchase price of \$1,000 per acre.

Chairman Damron said he shared Senator Leeper's concerns regarding the selection process; he said PACE is not giving sufficient consideration in the ranking process to those willing to sell at 50% of the appraised value. Mr. Farrow said the willingness of the owner to sell below appraised value is considered, but the primary factors the PACE Board considers include the potential for development and the loss of the farmland.

In response to another question from Chairman Damron, Mr. Burnette said it would not be appropriate to divulge the points an applicant receives, but they can share with the Committee the criteria for the point system. Chairman Damron asked if the number of points each applicant receives is subject to the Open Records Law. Mr. Farrow

said records for the four properties that have closed are available for public viewing, but according to the statutes, records of applications still under evaluation are allowed to remain sealed until an acquisition is completed.

Chairman Damron said there are those who may question why applicants' ranking and points are not public records. He asked the PACE staff to send the Committee the point scale used to rank PACE applicants.

Chairman Damron said the PACE Board has good members and his and Senator Leeper's concern is to make sure there is no perception of wrongdoing or unfair practices associated with the program. Mr. Farrow said he shares the Committee's concerns and he thinks the PACE Board members are dedicated to the preservation of farms and agricultural land in Kentucky.

Chairman Damron said this is an information item and no action was required by the Committee.

Commissioner Russ next discussed an underground fuel storage tank replacement project for the Department of Mental Health and Mental Retardation Services. He said this project is a mandated removal of fuel storage tanks, and some of tanks have to be replaced because they fuel emergency generators. The Cabinet for Health Services did not have the funds to remove the storage tanks and requested \$137,500 from the Statewide Deferred Maintenance Pool Account.

Chairman Damron asked if moneys in the Petroleum Storage Tank Environmental Assurance Fund could be used. Commissioner Russ said the state does not qualify for those funds; they can only be used by private enterprises.

The last item Commissioner Russ discussed was a Window Replacement project at Western State Hospital. He reported that an allocation of \$110,000 from the Statewide Deferred Maintenance Pool Account has been made to replace 223 old and decaying windows.

Chairman Damron said the two Statewide Deferred Maintenance Account items did not require Committee action.

Mr. Tom Howard, Office of Financial Management and Economic Analysis (OFMEA), presented a new bond issue report for Kentucky Economic Development Finance Authority (KEDFA) Variable Rate Demand Hospital Revenue Bonds, Series 1998. These conduit bonds are being issued for the Baptist Healthcare System Obligated Group and will finance additions and improvements to Western Baptist Hospital in Paducah, Baptist Hospital East in St. Matthews, Central Baptist Hospital in Lexington,

Baptist Regional Medical Center in Corbin, and Tri-County Baptist Hospital in LaGrange. Proceeds will also refund and redeem bonds from the KEDFA Baptist Hospitals, Inc., Series 1988A issue. The net proceeds are estimated to be \$70,600,000; an interest rate of 3.5% is anticipated; the proposed date of sale is December 16, 1998; the bond ratings are AAA by Moody's and Standard and Poor's; and the length is 25-30 years. The bond issue is a negotiated sale with Harper, Ferguson & Davis serving as bond counsel; Jones, Day, Reavis & Pogue as underwriter's counsel; Goldman, Sachs & Company as underwriter; and National City Bank of Kentucky as trustee.

Representative Marcotte made a motion to approve the KEDFA Variable Rate Demand Hospital Revenue Bonds, Series 1998 bonds. The motion was seconded by Representative Wayne and passed by voice vote.

Next, Mr. Howard presented a follow-up report for Kentucky Housing Corporation (KHC) Revenue Bonds, 1998 Series D, E, F, and G. The Series D bonds had gross proceeds of \$8,205,000 and will be used to finance multi-family facilities for low to moderate income Kentucky residents. The Series E and F bonds had gross proceeds of \$6,290,000 and \$64,565,000 respectively, and will be used to refund outstanding securities which will result in funds for the purchase of single-family mortgage loans. The Series G bonds had gross proceeds of \$26,375,000 and were a taxable refunding of outstanding 1988 A & B bonds. Mr. Howard said the bond yields were: 5.08% for Series D; 4.93% for Series E & F; and 5.55% for Series G. The bond buyer index for that same period was 5.20% and the Merrill Lynch Housing Bond Index was 5.34. The bond issue was a negotiated sale with Merrill Lynch & Co. as underwriter; Peck, Shaffer & Williams as underwriter's counsel; Kutak Rock as bond counsel; and PNC Bank as trustee.

Chairman Damron asked Senator Leeper to take over duties of the Chair for the next two agenda items. Senator Leeper called on Mr. Howard to present 26 new SFCC bond issues, none of which require a tax increase: Adair Co. - \$3,375,000 to complete additions to the high school; Bracken Co. - \$250,000 to complete classroom additions at an elementary school; Carter Co. - \$2,415,000 to refund 1993 bonds; Gallatin Co. - \$2,180,000 to complete additions to the high school; Grant Co. - \$1,045,000 to refund 1992 bonds; Graves Co. - \$8,400,000 to refund 1984B bonds and \$2,630,000 to complete additions to an elementary school; Harrison Co. - \$2,460,000 to refund 1992 bonds; Harrodsburg Ind. (Mercer Co.) - \$1,675,000 to refund 1994 bonds; Jefferson Co. - \$50,050,000 to make improvements to various district sites; Johnson Co. - \$2,650,000 to complete additions/renovations to one high school and one elementary school; Leslie Co. - \$200,000 for roof improvements to an elementary school; Lewis Co. - \$2,400,000 to complete additions and renovations to one high school and one elementary school; Marion Co. - \$3,525,000 to refund 1994 bonds; McLean Co. - \$1,375,000 for renovations and additions to an elementary school; Menifee Co. - \$960,000 for additions to a high school; Morgan Co. - \$4,470,000 to refund 1989, 1992, and 1994 bonds; Nicholas Co. -

\$3,100,000 for renovations and additions to the high school; Ohio Co. - \$2,850,000 to refund 1993 and 1994 bonds; Perry Co. - \$2,970,000 for renovations to an elementary school; Powell Co. - \$2,505,000 to refund 1991 and 1995 bonds; Trimble Co. - \$1,345,000 to refund 1989 bonds; Warren Co. - \$5,050,000 to complete additions to the high school; Wayne Co. - \$1,155,000 for renovations at two elementary schools and \$960,000 to refund 1991 and 1995 bonds; and Whitley Co. - \$3,240,000 to refund 1992 bonds.

Representative Marcotte made a motion to approve the school bond issues with SFCC participation in debt service. The motion was seconded by Representative Wayne and passed by voice vote. Chairman Damron abstained from the vote, citing a possible conflict of interest.

Senator Leeper said there were two 100% locally-funded school bond issues. Local school bond issues were reported for the following school districts: Frankfort Ind. (Franklin Co.) - \$1,685,000 for renovations at the high school and Paducah Ind. (McCracken Co.) - \$2,455,000 for school construction and renovation. Also, one 100% locally-funded bond issue, for \$6,745,000, was issued for the Kentucky Interlocal School Transportation Association. The proceeds will be used to purchase 115 school bus units for participating school districts.

Senator Leeper said no action was required on school bond issues that are 100% locally-funded.

Chairman Damron said enclosed in members' folders were the updated weekly and monthly debt issuance calendar; a Committee newsletter; and a report on the November 10, 1998, Government Contract Review Committee Meeting.

Chairman Damron said the next meeting is scheduled for December 15, 1998, at 1:00 p.m. in Room 129 of the Capitol Annex. He announced that a reception will be held immediately following the meeting in honor of Senator Denny Nunnolley and Representative Drew Graham, two Committee members who will be leaving the General Assembly at the end of the year.

With there being no further business, the meeting adjourned at 2:40 p.m.